

**Center for  
Executive  
Succession**

# **CEO Assessment and Onboarding**

**Results of the 2014 HR@Moore Survey  
of Chief HR Officers**

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## Executive Summary

This report describes the results of a survey of over 200 Chief HR Officers (CHROs) regarding the assessment practices their companies use to gather information on potential CEO successors. The survey also asked them to describe practices used to socialize/orient a new CEO into his or her role.

The most popular assessment techniques for internal CEO candidates consisted of past performance accomplishment profiles (reported by 95% of CHROs), past development needs (88%), 360-degree evaluations (80%) and unstructured interviews (69%). For external candidates, reference checks topped the list (87%), followed by past performance accomplishments (85%), unstructured interviews (72%) and structured behavioral interviews (71%). Formal testing such as personality tests (51%), cognitive ability tests (47%) and psychological interviews (47%) were

far more likely to be conducted for external candidates than for internal candidates (42%, 36%, and 33%, respectively).

CHROs reported that they felt multiple assessment techniques were the most valuable way to gather information regarding internal candidates (75%). Past performance accomplishments (59%) and 360-degree evaluations (34%) were seen as the most valuable single assessment techniques. Regarding external candidates, again multiple assessments topped the list as most valuable (73%) followed by reference checks (45%), structured behavioral interviews (35%) and past performance accomplishments (34%).

Finally, CHROs who had been part of a CEO onboarding reported most frequently using a formal set of processes (82%) followed by building internal relationships (64%), building external relationships (36%) and coaching (35%) to acclimate the new CEO to his or her new role.

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For the past 6 years we have conducted a survey of Chief HR Officers (CHROs) titled the HR@ Moore Survey of CHROs. Each year the themes and focus of the survey change based on the advice of an Advisory Board made up of 24 CHROs. The 2014 survey attempted to address three issues: Impact of the Patient Protection and Affordable Care Act on employment strategies, the assessment/socialization of CEOs and CEO successors, and CHRO succession. This report describes the results regarding how CEO successor candidates are assessed and the ways in which new CEOs are onboarded into their new roles.

This year's survey was sent to 560 CHROs, and 222 responded. The survey consisted of a combination of quantitative and qualitative items. The qualitative items were read by the lead researcher who classified the responses into categories. Two Masters of Human Resources students then coded each of the responses into the predetermined categories. In areas where the two disagreed, they discussed the reasons for their categorization and came to an agreement regarding into which category the response fell.

### **Assessment of CEO Successor Candidates**

Elevation of the CEO role results in a tremendous change in the level of complexity with which the individual is required to operate. Within the organization, they might have to understand an array of businesses located in diverse industries and/or dispersed across a large number of

geographic regions. Externally they must deal with a larger and more varied set of stakeholders including shareholders, analysts, and the press. Being able to gather information to best predict who will be most able to make this transition presents an immense challenge to organizations.

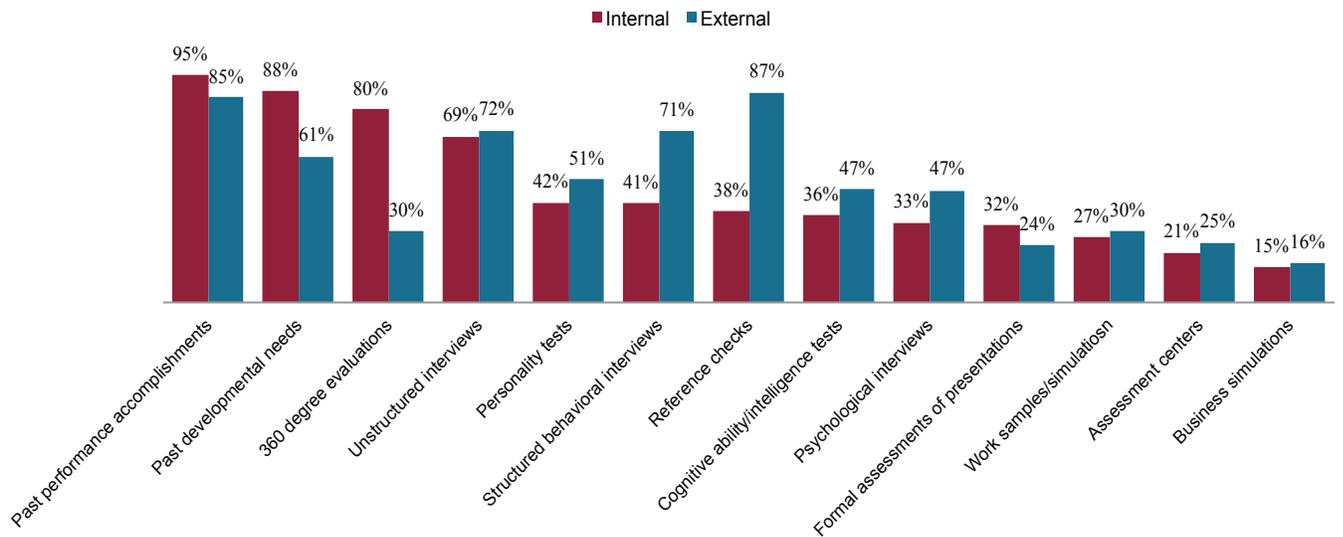
In order to determine how firms gather this information, we first presented a list of potential assessment tools to ask CHROs which tools they have used or are using to assess their internal and external CEO successor candidates. The tools had been identified based on existing literature and conversations with a small number of CHROs. The advisory board was presented with this list and asked if there were any assessment techniques they were aware of that were not represented on the list.

As can be seen in Figure 1, for internal candidates the past performance accomplishment profile was by far the most used assessment tool with 95% of the CHROs responding that their firm used this technique for internal candidates. In addition, 88% reported that past development needs were used as an assessment tool. The third most used assessment technique for internal candidates was 360-degree evaluations, used by 80% of the CHROs. Finally, 69% of CHROs reported their firms conduct unstructured interviews with internal CEO candidates. All of the remaining assessment techniques were used by less than a majority of the firms for gathering information on their internal CEO candidates.

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**The conclusions and any errors, however, are the responsibility of the authors.**

**Figure 1. Which of the following have you used or would you use to assess your internal or external CEO successor candidates?**



Regarding evaluating external candidates, 87% of CHROs indicated using reference checks, followed closely by 85% using past performance accomplishment profiles. Unstructured interviews were used by 72% of CHROs with structured behavioral interviews close behind (71%). Past development needs (61%) and personality testing (51%) were the other assessment techniques used by a majority of the firms to evaluate external candidates.

Comparing the differences between assessment techniques used for internal versus external candidates reveals few surprises. For instance firms use reference checks much more frequently for external candidates (87%) on whom they have less information than for internal candidates (38%). Similarly, because the data exists within the firm, internal candidates are much more likely to be assessed with 360-degree evaluations (80%) than external candidates (30%).

The most surprising result stems from the relatively low use of formal, professionally developed, and relatively objective tests for both internal and external candidates. While

51% of companies use personality testing for external candidates, only 42% do so for internal candidates. In addition cognitive ability testing, psychological interviews, and assessment centers were more likely to be used to assess external candidates than internal, but these were still used by less than a majority of the firms. In addition, very few firms use work sample/simulations (less than 30% for both internal and external) and business simulations (approximately 15% for both). In short, assessment techniques on internal candidates rely on information gathered by the firm throughout the employee's history, while external candidates are assessed using additional information sources as a means to reduce information asymmetry regarding the candidate's capabilities.

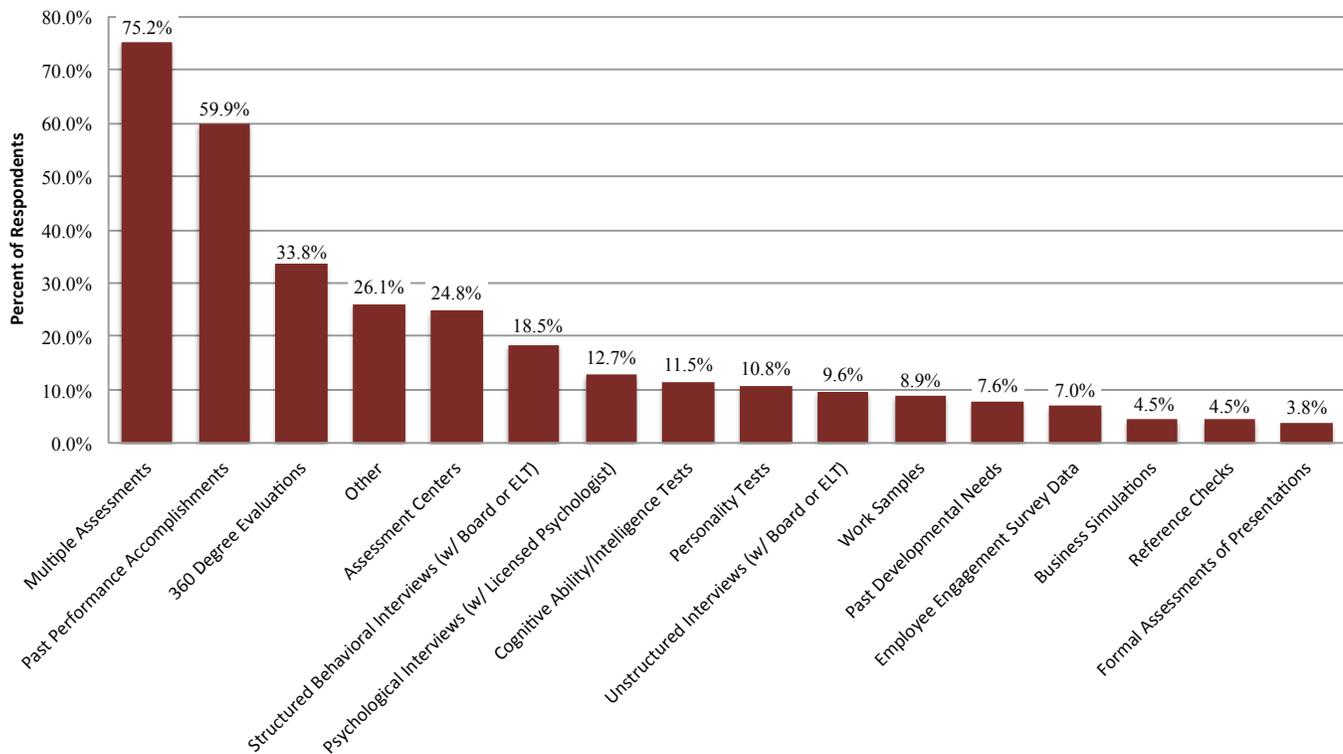
Given the sensitive nature of choosing a CEO successor, the various pitfalls in the process and the risk associated with making a poor succession decision, it seems that firms that invest in gathering more objective information would have a greater foundation for making the correct choice. This is not to discount the value of the most popular assessment techniques, but to suggest the incremental value to be gained by expanding the pool of techniques.

In addition to the question about the use of various assessment techniques, we asked CHROs which techniques they had found to be the most valuable for gaining information on CEO candidates, for each internal and external candidates. This changes the nature of the question from descriptive (what does your firm do) to prescriptive (what do you think your firm

should do). Figure 2 presents these results, and Table 1 provides some examples of responses.

As can be seen in Figure 2, the vast majority of CHROs reported that they viewed using multiple assessments as the most valuable approach to assessing internal (75%) candidates. They either specifically said “multiple assessments” or listed multiple assessments as part of their answer.

**Figure 2. What assessment techniques do you believe provide the best insights regarding an internal candidate's potential to fill the CEO role and why?**



However, regarding specific techniques, past performance accomplishments topped the list for internal candidates (59%), far exceeding the next highest, 360-degree evaluations at 33%. Assessment centers (24%) and structured behavioral interviews (19%) also were noted as valuable. Consistent with the previous data, very few pointed to formal testing (psychological profiles, personality, or cognitive ability) as valuable tools.

Regarding evaluating external candidates, as Figure 3 shows, again CHROs pointed to using multiple assessments as the most valuable approach (73%) to gaining information on potential successors. Reference checks (46%), structured behavioral interviews (35%), past performance accomplishments (34%), and assessment centers (25%) were also acknowledged as valuable tools. Again, Table 2 provides some examples of CHRO's responses.

**Table 1. Best techniques for assessing Internal Candidates.**

Past accomplishments, demonstrated leadership abilities, 360 feedback and emotional intelligence.

Accomplishment analysis of past performance against CEO position requirements. Structured interviews with key stakeholders, e.g., board members. Measures of learning capacity or agility, and relationship skills (e.g., emotional intelligence). The main point is to get good data points against known job requirements as well as measures of the ability to adapt to changing competitive conditions, stakeholders, etc.

A combination of past performance accomplishments, assessment tools to determine gap areas and how, if at all they can be bridged, board exposure/interviews and feedback from peers, staff, colleagues.

A combination of techniques including 360 evaluations, assessment tools, past performance as well as board's judgment as to fit for the future strategy and direction of the company.

Combination of performance data, business simulations, psychological interviews and other leadership assessment tools. Samples of work, presentations with Boards, reference checks, all part of holistic process.

**Table 2. Best techniques for assessing External Candidates.**

Reference and reputation checking both formally and informally is essential to uncovering strengths and areas of concern. Moreover, the candidate can and should play a role in their own assessment and it should be validated against other sources of data.

Track record of performance/key accomplishments, external references, analysis of past accomplishments.

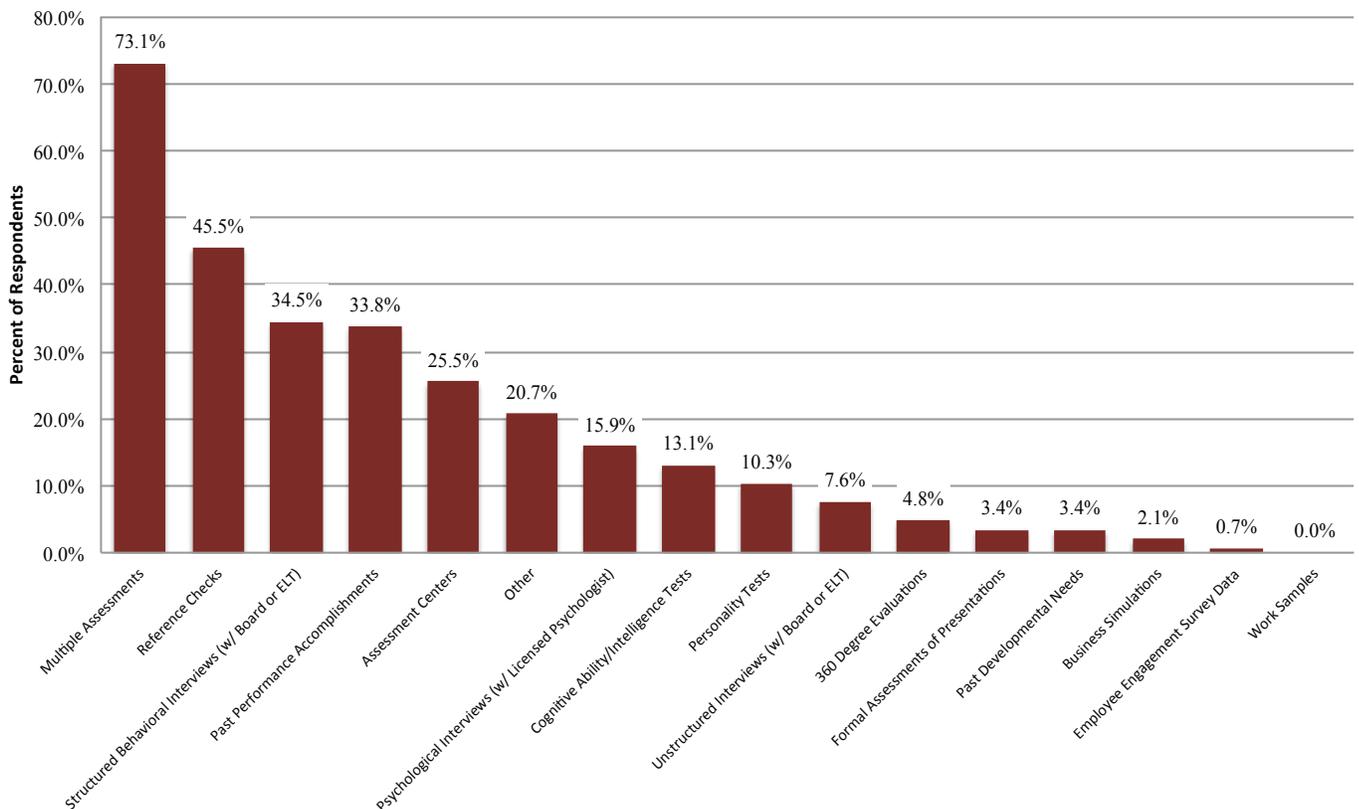
Structured interviews, past record of achievement, and reference checking.

Structured interviews against the competencies/profile for future CEO for the Company Past accomplishments verified by reliable sources (in addition to official sources) Past development needs verified by reliable sources (in addition to official references).

Essentially the same as internal with the addition of deep reference checking.

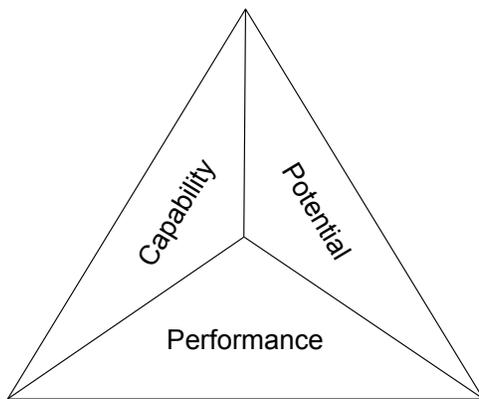
Cognitive ability/intelligence tests Personality tests Business simulations Assessment center Structured interview Reference checks Detailed performance results.

**Figure 3. What assessment techniques do you believe provide the best insights regarding an external candidate's potential to fill the CEO role?**



The risk inherent in choosing a new CEO is clear. Again, CHROs have often noted that moving from a role as a direct report to the CEO to the CEO role requires a step-change in cognitive, emotional, and energy requirements. In exploring how firms seek to gain information on those who aspire to the role, it seems that three generic dimensions of the candidates require assessment, as depicted in Figure 4. “Performance” refers to a track record of past accomplishments that indicate both a requisite level of business savvy, leadership, and accountability. This dimension is clearly captured through reliance on past performance profiles and past development needs. However, the weakness of this dimension is that because the nature of the CEO role is so unique, there is no guarantee that past performance will be indicative of future performance.

**Figure 4. Dimensions to Assess in CEO Succession**



“Capability” refers to the basic competencies, leadership style, and other characteristics that one would expect in the CEO. This could be assessed through assessment centers, behavioral interviews, work simulations, business simulations, and cognitive ability tests. This dimension is probably correlated with the Performance dimension, but does have some unique aspects that could be missed by solely relying on past performance.

The “Potential” dimension describes the ability of the individual to quickly and effectively adapt

to the new requirements of the CEO role. This dimension seems the most important area of risk, and the least developed in terms of assessment tools to effectively evaluate individuals. Based on decades of assessment research in the personnel selection literature, it seems that firms might reduce this risk by relying more on existing (e.g., personality testing, psychological assessments to evaluate adaptability) and developing (assessment centers and/or business simulation aimed specifically at the new requirements in the CEO role) techniques. Perhaps this is one area that CHROs can add significant value to the board of director’s CEO succession process.

### **Onboarding of CEOs**

As previously mentioned, the movement to the CEO role requires a significant change in demands. In addition to the ability to predict who can effectively adapt to these new requirements, firms can aid this process through an effective onboarding process. In order to gain insights into what such processes look like, we asked CHROs who had been involved in a CEO onboarding what they found to be effective. Interestingly, approximately 30-40% of the respondents indicated that they had not been part of a CEO onboarding before, suggesting that seeing what others have found effective could be extremely valuable to them.

Those who had been part of a CEO onboarding provided relatively thorough descriptions of the process they used. The responses fell into 5 general categories as coded during our survey review process: Formal Onboarding Processes, Internal Relationships, External Relationships, Coaching, and Preparation. Table 3 provides some specific examples.

Those involved in onboarding most frequently (82%) described a set of formal processes used in a CEO onboarding. These consisted of having a structured plan with defined outcomes (18%), conducting a new leader assimilation (13%), conducting listening tours/town halls (13%), defining an internal transition plan before

assuming the role (12%), making store/ site visits (10%), participating in business reviews (10%) and talent reviews (5%), and conducting a 6-month 360 degree evaluation (2%).

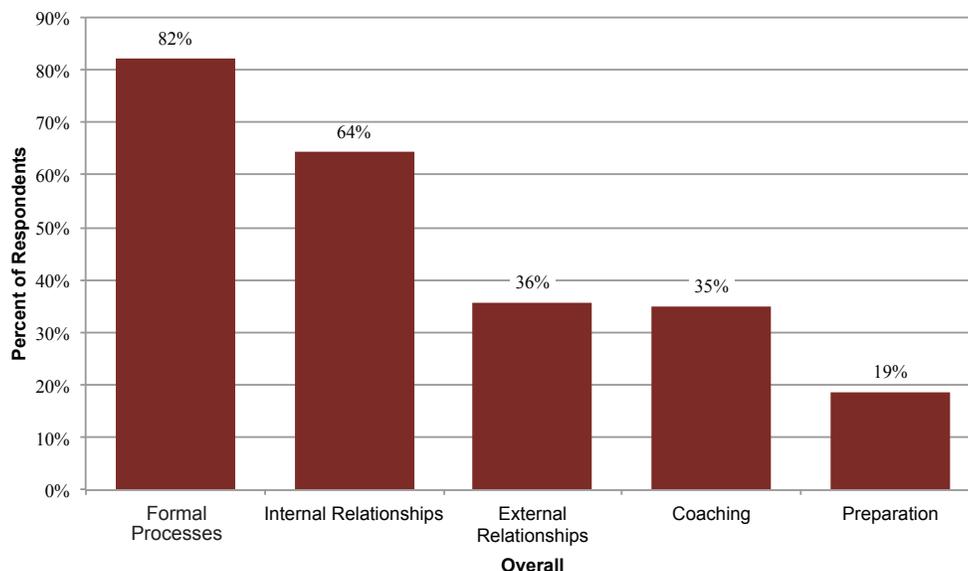
In addition to the formal processes, CHROs described the of development internal relationships, mentioned by 64% of the respondents. They emphasized the importance of the new CEO developing relationships with the board (29%) followed by with the members of the executive leadership team (25%), and, in a much fewer number of cases, the talent (high potentials) in the organization.

CHROs also pointed to the importance of the new CEO developing relationships with external stakeholders as part of their onboarding. Customers comprise the most frequently mentioned stakeholder (14%), followed closely by shareholders (13%), and analysts (9%).

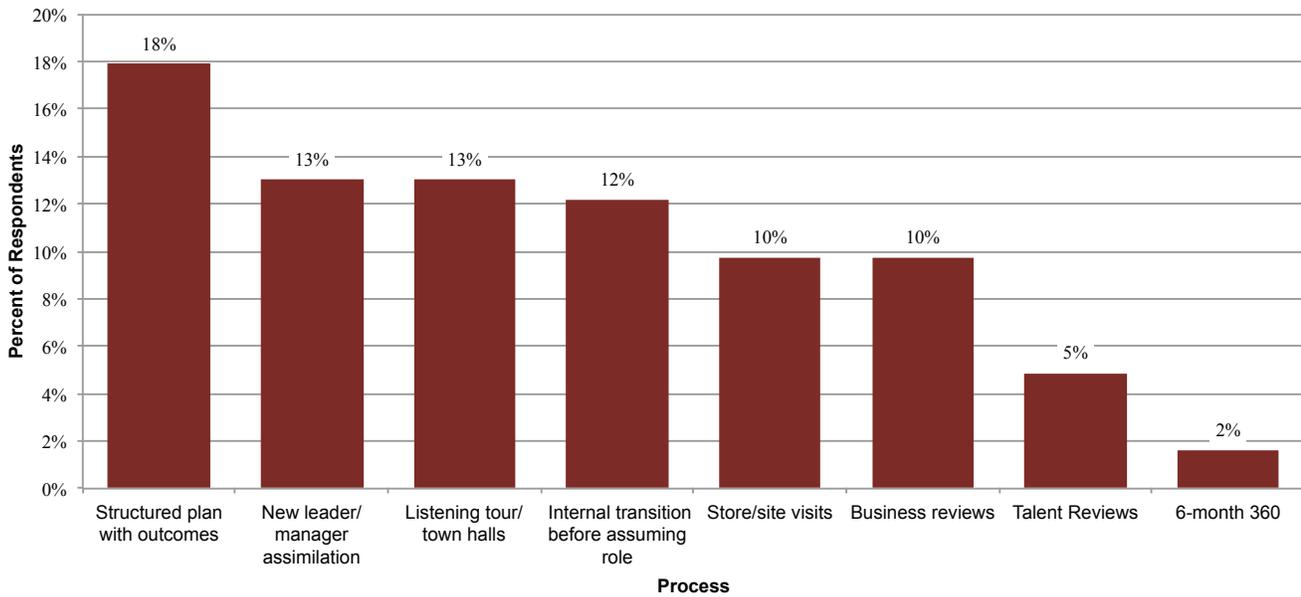
Coaching made up a fourth aspect of the CEO onboarding process. The former CEO was the most frequently used coach of the next CEO (13%), with CHROs being the next most commonly used coach (11%). Some firms used outside coaches (6%) and 2% said that a board member acted as a coach to the new CEO.

Finally, 19% of the CHROs noted “Preparation” as part of the onboarding process. This occurred in cases where the internal candidate was known far enough in advance of actually stepping into the role that there was time to do some formal preparation. For instance, one CHRO mentioned sending the successor-to-be to a program for preparing people to become CEOs. Others mentioned more informal learning experiences (e.g., making them the leader for a project to develop the next strategy) that enabled the individual to gain valuable skills and insights prior to actually taking on the CEO role.

**Figure 5. What onboarding / socialization processes did you use with the new CEO to get him / her acclimated to the role?**



**Figure 6. Formal processes in CEO onboarding / socialization**



**Table 3. Examples of CEO Onboarding Strategies**

We set up meetings with stakeholders, the Board, employees, customers and investors. We had an All Associate Meeting on day one to welcome the CEO and introduce him to the associates' New Leader Assimilation with direct reports and Two-Way Communication rhythms with employees, direct reports in order to have an ongoing pulse of what is happening. Also, had him review the books, speeches, etc. written by the founder of the company in order to get the historical perspective of the Company.

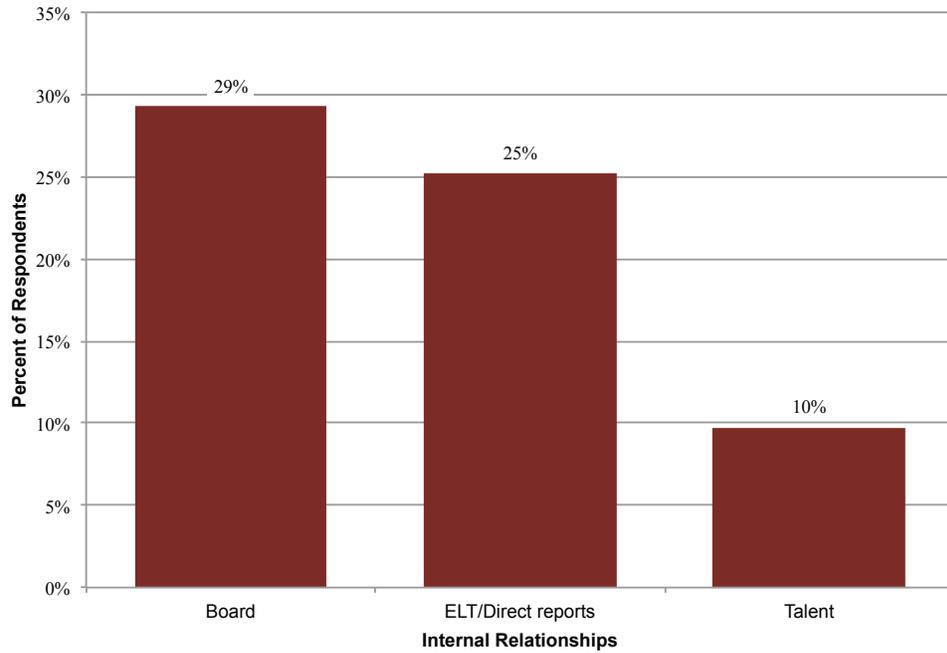
For the current CEO who had been recruited from the outside: Structured onboarding with subject matter experts, beginning with the overall governance and structure of the enterprise, key stakeholders, history, followed by deep dives in each business and function led by the leader(s). Internal candidates focused less on the internal stakeholders, since they have been operating in the environment, but much more on external stakeholders, analysts, shareholders, press, etc., in addition to developing a deeper relationship with the Board.

Met with the Board (Chairman and committee head meetings to learn expectations) and key customers (to understand issues and growth plans as well as build relationships). Set up Business Unit deep dive meetings (in order to understand the financials, products, capabilities, strategy, customers, risk and opportunities). As well as, Quality and Operational Excellence Reviews, Key investor meetings (once he/she has an understanding of the business performance), Executive Team one-on-ones and site visits (prioritized).

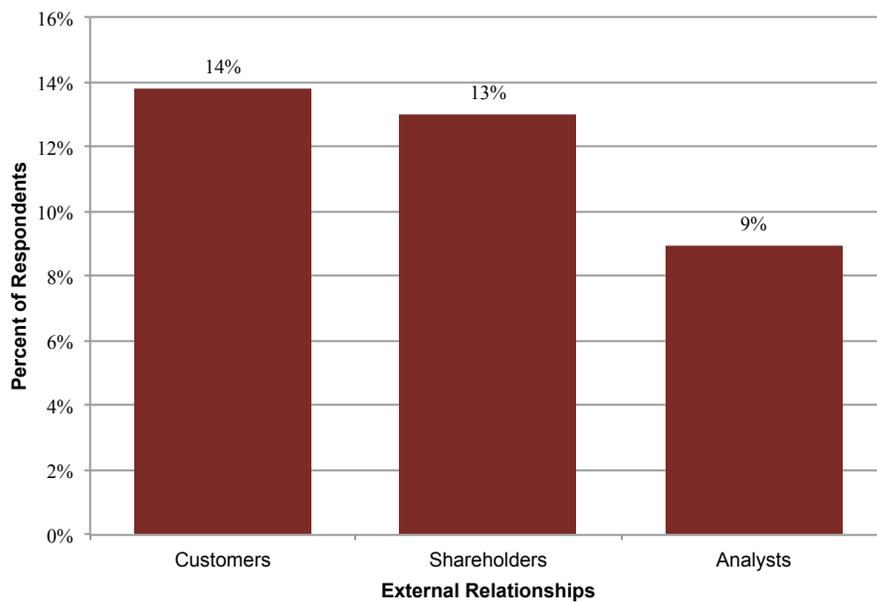
We had a very prescribed timeline of events starting two-and-a-half years from the current CEO's retirement. At that point, we knew we did not have an internal successor. This allowed us to bring in a COO/President with a two-year transition. The COO had responsibility for all functions except HR, Finance, Legal and IT, which remained direct reports of the CEO until succession. This allowed the designated successor to learn the business and begin to bring his methods and practices into the organization. Also, we gave the successor responsibility for leading a three-year strategic planning process, which created opportunities for him to work very closely with board. However, each of the functional leads who reported to CEO understood that, in practice, they needed to interact with the COO in the same way as they did with the CEO, thereby keeping the COO/successor involved in decisions that impact those functional areas.

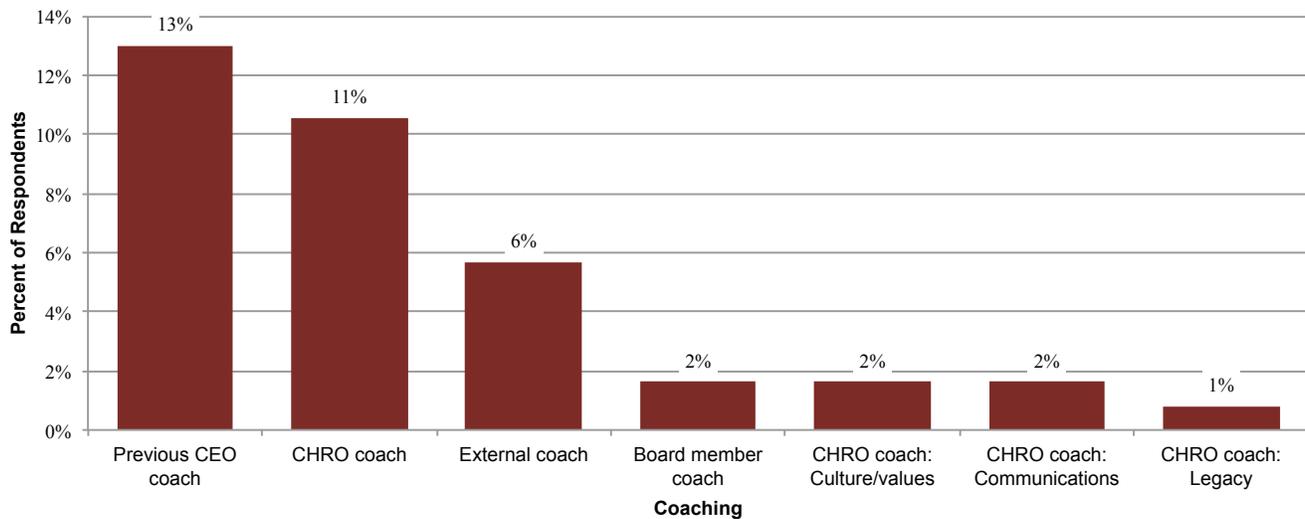
Development of a 100-day plan with specific outcomes (what he needs to know, who he needs to know, what specific outcomes he needs to deliver). Development of specific, senior executive relationships (with CFO, General Counsel, Business Unit Presidents). Development of early relationships with Board members. Development of targeted customer relationships. Involvement in development of business strategy and the new CEO employee communication and engagement plan.

**Figure 7. Internal relationships in CEO onboarding / socialization**



**Figure 8. External relationships in CEO onboarding / socialization**



**Figure 9. Coaching in CEO onboarding / socialization**

## Conclusion

The risks inherent in making poor CEO succession decisions can have tremendous short and long-term financial consequences. Making the right decision requires having all of the right information about the potential successors. This survey revealed that the most popular assessment methods may miss important information regarding the capability and potential of successor candidates, and this may be an area where CHROs can add informational value by developing a more rigorous and comprehensive assessment process.

In addition, once chosen, CHROs can play an integral role in onboarding CEOs in a way that minimizes their learning curve

and quickly builds relationships with the most important stakeholders. Developing a specific process timeline with specific goals proves the most popular aspect of the CEO onboarding. Second, CEOs need to develop stronger relationships with internal stakeholders, followed by external stakeholders. Coaching from the previous CEO, the CHRO, and outsiders can also help facilitate the onboarding process. Finally, with enough advance warning, the CEO-in-waiting can engage in a number of formal and informal preparation activities to make the transition to new CEO more seamless.

For more information on the **Center for Executive Succession** and for copies of past HR@Moore surveys, please visit the CES website at: [moore.sc.edu/CES](http://moore.sc.edu/CES).



The Darla Moore School of Business' new building has generated significant buzz since it opened its doors in August, both for its striking appearance and for the ways it promises to transform business education. Drawing on extensive input from students, faculty, staff and the business community about how space can be configured to optimize business education, the \$106.5-million building is the university's most ambitious construction project to date.

With its many sustainable features, the building is targeting LEED Platinum certification, making it a model for sustainable architecture and sustainable business practices. Its open and flexible design facilitates enhanced interaction and collaboration among faculty and students and makes the building an inviting hub for community engagement. In these and other ways, the building is a physical embodiment of the Moore School's commitment to forward-thinking leadership for the business community.

## Center for Executive Succession

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